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HISTORY

OF THE

INTERNAL REVENUE SERVICE

1791-1929

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HISTORY OF THE INTERNAL REVENUE SERVICE

FIRST ERA OF INTERNAL TAXES

The first period in which internal taxes were used for the support of the Government extended from 1791 to 1802.

The act of March 3, 1791, imposed, effective July 1, 1791, taxes on distilled spirits and carriages. Subsequent early modifications of the act of 1791 provided taxes on retail dealers in distilled spirits, refined sugar, snuff, property sold at auction, snuff mills, legal instruments, bonds, and, on July 9, 1798, a direct tax was imposed on real property. The first year's receipts (fiscal year 1792) from internal revenue netted the Government $208,942.81.

The first internal revenue act provided that the United States should be divided into 14 districts, each consisting of 1 State, which districts the President was authorized to subdivide into "surveys of inspection"; and the President was further authorized to appoint a supervisor to each district. It is interesting to note that while the law provided that the United States should be divided into 14 districts, each consisting of 1 State, there were actually 15 States comprising the Union when the law went into effect, Vermont having been admitted March 4, 1791. The supervisors authorized in the act of March 3, 1791, operated under the supervision of the Assistant Secretary of the Treasury.

The form of collecting taxes through the medium of 14 supervisors was not long continued. The act of May 8, 1792, provided "that the present office of Assistant to the Secretary of the Treasury be abolished, and that instead thereof there be an officer in the Department of the Treasury to be denominated Commissioner of the Revenue, who shall be charged with superintending the collection of the other revenues." It is assumed that the words "other revenues" referred to other than the duties on impost and tonnage.

The act of May 8, 1792, fixed the compensation of the Commissioner of the Revenue at $1,900 a year. Tench Coxe, of Pennsylvania, was Assistant to the Secretary from September 11, 1789, to May 8, 1792, when he was designated "Commissioner of the Revenue."

The first Commissioner of the Revenue had various collection duties besides supervising the collection of internal-revenue taxes, and this branch of his duties seems to have had but little of his attention. Much of the correspondence devolved upon Doyle Sweeny, who signed as "Principal Clerk."

While it is assumed that the Commissioner of the Revenue received some clerical assistance from other branches of the Treasury Department, the records indicate that on January 16, 1798, the office of commissioner being vacated, the office force consisted of Doyle Sweeny, principal clerk; Ezekiel Forman, accountant; John Mease; and Peter Footman. Later in January, 1798, William Miller, jr., became Commissioner of the Revenue.

While it is not the purpose in this discussion of the progression of the Internal Revenue Service to cover items or articles of taxation, it is of interest

to note that one result of the tax on distilled spirits was the "whisky insurrection" in western Pennsylvania in 1794. The ultimate outcome of this insurrection was to demonstrate that the Federal Government could command sufficient power to enforce its laws.

Another act of interest was the act of July 9, 1798, which set up machinery for the valuation of lands and dwellings and the enumeration of slaves. Each State was divided into divisions consisting of several counties, and a commissioner was provided for each division. The commissioners for each State, acting as a board, divided the State into assessment districts, appointed assessors, and made regulations. In addition, there were surveyors of the revenue appointed by the supervisors. The assessment lists were turned over to the surveyors, who enumerated the slaves, kept a record of new buildings, computed the tax, and delivered the statement of taxes due to "the persons who may be appointed to receive same."

The act of April 6, 1802, not only abolished the internal taxes but also abolished all offices having to do with them. This was the end of internal taxes until 1813.

There follows a statement showing the internal-revenue receipts for this first tax period in the Nation's history—from 1792 to 1802:

Fiscal year:	Receipts from internal revenue
1792	$208, 942. 81
1793	337, 705. 70
1794	274, 089. 62
1795	337, 753. 36
1796	475, 289. 60
1797	575, 491. 45
1798	644, 357. 95
1799	779, 136. 44
1800	1, 543, 620. 52
1801	1, 582, 376. 81
Total	6, 758, 764. 26

The internal-revenue collections for the fiscal year 1928 totaled $2,790,535,537.68. For the purpose of comparison, it will be noted that the Internal Revenue Service collects on an average more internal taxes in 1 day than the first tax bureau collected in 10 years.

SECOND ERA OF INTERNAL TAXES

In 1813 it again became necessary to supplement the financing of the Government affairs through the medium of internal taxes because of the increased needs incident to the War of 1812.

The act of July 24, 1813, levied taxes on refined sugar, carriages, distillers, and sales at auction. The act of August 2, 1813, provided a license tax on retail liquor dealers and retailers of foreign merchandise, bank notes, and legal instruments. On December 21, 1814, came the tax on distilled spirits, followed by a tax on manufactured articles, household furniture, and watches on January 18, 1815. Then on February 27, 1815, Congress provided a tax on gold, silver, and plated ware and jewelry.

The act of April 6, 1802, having abolished the internal taxes as well as all offices having to do with them, it became necessary to create machinery for the collection of these new taxes provided by the various acts from July 24, 1813, to February 27, 1815. The act of July 2, 1813, provided for the division of States into collection districts, and the appointment of a collector and principal assessor in each district. On July 24, 1813, the office of the Commissioner

of the Revenue was revived. He was placed in charge of the collection of the direct and internal taxes, and the Secretary of the Treasury was authorized to transfer the collection of customs duties from the comptroller to the Commissioner of the Revenue.

The taxes on manufactured articles and on gold, silver, and plated ware and jewelry were abolished by the act of February 2, 1816. It is interesting to note that while manufactured articles, gold, silver, and plated ware and jewelry were the last articles of taxation levied upon in this second era of internal taxes, these taxes were the first to be abolished by Congress when the need for this increased revenue lessened. All the remaining taxes were abolished by the act of December 23, 1817.

With this discontinuance of the internal taxes by the act of December 23, 1817, the office of the Commissioner of the Revenue was again abolished and the offices of collectors were discontinued after the outstanding taxes had been collected. This was the end of internal-revenue taxation until the Civil War period.

There follows a statement showing the internal-revenue receipts from 1814 to 1818:

Fiscal year:	Receipts from internal revenue (including the direct tax)
1814	$3, 882, 482. 18
1815	6, 840, 732. 48
1816	9, 378, 343. 40
1817	4, 512, 287. 81
1818	1, 219, 603. 56
Total	25, 833, 449. 43

CIVIL WAR PERIOD

The first internal revenue act of the Civil War period was the direct tax provided by the act of August 5, 1861. This act provided for a direct tax of $20,000,000, apportioned among the States; an income tax; and, in addition, increased the customs duties on certain imports. The entire amount of direct tax collected was $15,387,233.76. The collection of the direct tax covered a long period of years. The last collection was not made until 1888. By the act of Congress of March 2, 1891, the moneys collected were returned to the States.

War, throughout the history of the Nation, has gone hand in hand with higher taxes. The Civil War brought into existence for the third time the organization of the Internal Revenue Service. The reestablishment of the Internal Revenue Bureau as the result of the act of July 1, 1862, was the basis of what has since been a permanent branch of the Government service. The act of July 1, 1862, was sweeping in its scope. Taxes were imposed upon distilled spirits, ale, beer, porter, and other similar fermented liquors manufactured and sold or removed for consumption and sale; license taxes on trades, vocations, and occupations; specific and ad valorem duties on manufactures and products of various kinds, including cotton, tobacco, cigars, and cigarettes; taxes on auction sales; on carriages, yachts, billiard tables, and plate; on cattle, hogs, and sheep slaughtered for sale; on gross receipts of railroads, steamboats, and ferryboats; on interest paid on railroad bonds; on surplus accumulated by banks, trust companies, savings institutions, and insurance companies; on advertisements; on salaries and pay in excess of $600 of officers and persons in the service of the United States; income duties on incomes received by individuals in excess

of $600; stamp duties on various documents, medicinal preparations, perfumery and cosmetics, and playing cards; and taxes on legacies and distributive shares of personal property. If any article or business escaped taxation, apparently it was an oversight on the part of Congress. It had been 44 years since the citizens of the country had been subjected to an internal tax; a new generation was on the scene to bear the tax burden of war.

The act of July 1, 1862, created the office of Commissioner of Internal Revenue, and on July 12, 1862, George S. Boutwell, of Massachusetts, was appointed commissioner. He served until March 4, 1863. The law which created the office of Commissioner of Internal Revenue charged that official, under the direction of the Secretary of the Treasury, with the preparation of all instructions and regulations necessary to carry out the provisions of the act. Immediately after his appointment on July 12, 1862, Commissioner Boutwell began the work of organizing a field and office force. Contracts were entered into for the printing of revenue stamps, regulations were issued, and other administrative and interpretative work assumed.

By the act of 1862, the President was authorized to divide the country into "convenient collection districts," and to appoint, with the advice and consent of the Senate, an assessor and collector for each collection district. The assessor was charged with the duty of locating objects of taxation and preparing assessment lists to be delivered to the collector. These lists constituted the warrant of the collector for the collection of assessable taxes.

On January 1, 1863, the work of organizing had progressed to the extent whereby a total force of 3,882 was employed. This force was divided as follows:

Field service:		
Collectors and assessors	366	
Deputy collectors	898	
Assistant assessors	2,558	
		3,822
Administrative:		
Commissioner	1	
Clerks (male)	51	
Clerks (female)	8	
		60
Total force		3,882

It is of interest to note the small administrative force assigned to the bureau in Washington as compared with the force employed throughout the country. The collections during the fiscal year 1863 totaled $41,300,192.93. This could hardly be considered, however, as the collections for one year, inasmuch as considerable time must have elapsed incident to the organization period. The first complete fiscal year under the revenue act of 1862 was the fiscal year 1864, during which year a total of $116,985,578.26 was collected. The tax on manufactures and products, which included excise taxes, yielded the greatest revenue during the fiscal year 1864, amounting to $36,222,716.67. Distilled spirits came next with a total of $30,329,149.53, while the tax on incomes netted the Government $20,294,731.74.

The organization of the Internal Revenue Service as the result of the act of July 1, 1862, was similar in general principle, although not in detail, to that in effect to-day.

Every person, firm, corporation, or association liable for internal taxes was required to make an annual return to the assistant assessor on or before the first Monday in May. There were also monthly returns to be filed by certain industries. It was the duty of the assessor to receive and hear all appeals, to superintend the work of his assistants, and to submit assessment lists to the collectors of internal revenue. The assessor was required to keep his office open at all hours for the convenience of taxpayers. He was authorized to issue summons to all persons delinquent in their tax obligations. He had full authority to enter in the daytime any brewery, distillery, factory, or other place where taxable articles were made, produced, or kept, and he was authorized to examine the premises and property and to examine the accounts. The assessor was also required to advertise in some newspaper published within his district and to post notice in at least four public places within each assessment district that the assessment lists were open to inspection. The period for examination, however, was limited to 15 days. An interesting feature of this period of taxation was the fact that in case of failure by any person to make proper return the assistant assessor had full authority to make the return from the best information obtainable. If the taxpayer consented to the assistant assessor's conclusions and was willing to sign what we to-day term an agreement, the taxpayer was exempt from any penalty. If he refused to sign an agreement, he was liable to a 50 per cent increase in the assessed valuation of all taxable property. It could be assumed that this feature, while very arbitrary, must have been very effective in preventing frivolous appeals.

It was the duty of the collectors of internal revenue to collect the taxes according to the assessment lists submitted by the assessors. Within 20 days after receiving his annual lists from the assessors the collector gave notice to all taxpayers through the medium of newspaper advertisements and posting notices that the taxes were due and payable. If the taxpayer did not respond to this general notice, the collector was required to serve a notice upon the delinquent either personally or by mail. The collector had full authority to distrain upon and sell the effects of a delinquent taxpayer.

As to the compensation of the field force, the assessors were paid $3 a day while employed in giving instructions, $5 a day while hearing appeals, considering valuations, and preparing assessment lists, and $1 for every 100 names in the tax lists submitted to the collector. The assistant assessor received $3 per day for every day employed and an allowance of $1 for every 100 names delivered to the assessor. The collectors of internal revenue were allowed a commission of 4 per cent on all money collected up to $100,000, and 2 per cent on all money collected above that amount, the commissions being limited to $10,000. Deputy collectors were paid by the collectors.

On March 4, 1863, George S. Boutwell concluded his service as Commissioner of Internal Revenue, and on March 10, 1863, Joseph J. Lewis, of Pennsylvania, became commissioner. The act of March 3, 1863, created the position of deputy commissioner, and also provided for the appointment of three revenue agents to aid in the prevention, prosecution, and punishment of fraud upon the revenues. The number of revenue agents as well as the number of deputy commissioners was increased by several later acts.

A new law relating to internal taxes was enacted on June 30, 1864. This act changed many of the rates and imposed additional taxes. There were no significant changes in the organization or administration. The act of March 3, 1865, made further changes in the rates and objects taxed and also provided for the appointment by the Secretary of the Treasury of a commission of three persons to inquire into the general subject of the raising by taxation of such revenue as may be necessary, including the sources from which such revenue should be drawn and the basis of raising the same.

The internal-revenue collections for the fiscal year 1866 were the greatest of any year during the Civil War period. They totaled $310,120,448.13. In July, 1866, Congress reduced many of the internal-revenue taxes, the need for

such large revenues having lessened. A definite personnel for the Internal Revenue Bureau also was provided. Prior to 1866 the only positions specifically recognized by law in the office of the Commissioner of Internal Revenue were, in addition to the commissioner, the deputy commissioner and a cashier. The clerical assistance prior to that time was furnished from the force assigned to the Secretary of the Treasury. The act of July 13, 1866, authorized three deputy commissioners, a solicitor, 7 heads of divisions, 221 clerks, 8 messengers, and 15 laborers. The salaries of the clerks ranged from $900 to $1,800 a year. The act of July 13, 1866, also authorized the appointment by the Secretary of the Treasury of a special commissioner of the revenue. The duties of this office were in the nature of a study of the system of taxation, and to make proper investigation with a view to improvements in the work and its administration. David A. Wells was appointed to this position.

Further reduction of internal-revenue taxes was made by the act of March 2, 1867.

The next revenue act, that of July 20, 1868, was devoted entirely to distilled spirits and tobacco. The result of this legislation was to develop the stamp taxes on liquor and tobacco to practically the method under which they are used at present. Liquor and tobacco taxes, as well as other stamp taxes, had become the backbone of our system of taxation, and were relied on almost entirely for the bulk of the internal revenues.

For the fiscal years 1868 to 1913, inclusive, the total internal revenue collections were $8,367,105,168.16. Of this amount, $7,468,100,996.69, or 89.3 per cent, represents collections on distilled spirits, tobacco, and fermented liquors.

COLLECTION OF TAXES BY CONTRACT

An interesting phase of internal-revenue history was the method of collecting internal-revenue taxes by contract. Authority was contained in the act of June 6, 1872, for the employment by the Secretary of the Treasury of not more than three persons to assist the proper officers of the Government in discovering and collecting any money belonging to the United States upon such terms and conditions as he deemed best for the interests of the United States. These persons were not to be paid compensation except from the money or property secured by them. On June 8, 1872, the Secretary of the Treasury signed a contract granting 50 per cent of the gross amount collected to the person named in the agreement. On August 13, 1872, a similar contract was made with John D. Sanborn, of Massachusetts, for the collection of taxes illegally withheld by 39 distillers, rectifiers, and purchasers of whisky. As a result of the authority granted John D. Sanborn, he collected $427,000.

The matter of collection by contract, in the year 1874, became the subject of an investigation by Congress. While the investigation developed no evidence of corrupt motives, the investigating committee of Congress made it evident that a large percentage of the taxes collected by Sanborn were not a proper subject of contract under the law, and these taxes should and would have been collected by the Bureau of Internal Revenue in the ordinary discharge of its duty. As a result of the investigation, Congress immediately repealed the law authorizing the collection of money by contract.

INCIDENTS OF INTERNAL-REVENUE TAXATION

The act of August 2, 1886, imposed a tax on oleomargarine. This law was not designed primarily as a producer of revenue, but was passed to prevent oleomargarine from competing with butter. The act defined butter and imposed a tax upon the manufacture, sale, importation, and exportation of oleomargarine. Oleomargarine was taxed at the rate of 2 cents per pound, or fraction thereof, and special license taxes of $600 were placed upon manufacturers, $480 upon wholesale dealers, and $48 upon retail dealers. A tax of 15 cents per pound, in addition to the duty, was placed on imported oleomargarine. The legislation, while regulatory, was not prohibitory, as shown by the fact that from 1888 to 1893 the amount of oleomargarine produced increased from 34,000,000 pounds to 67,000,000 pounds—almost doubling in five years.

In 1879 Congress made provision for the payment of salaries to deputy collectors by the Government, and a change was made in the collectors' salaries by fixing the minimum at $2,000, if the annual collections were $25,000 or less, and the maximum at $4,500 if the annual collections amounted to $1,000,000 or more.

On May 21, 1887, President Cleveland by Executive order reduced the number of districts to 62. Various changes between 1887 and 1914 brought the number of districts up to 67. By the act of July 16, 1914, the number was limited to 64. The act of March 4, 1923, authorized an additional district.

Another peculiar duty imposed upon collectors of internal revenue was the requirement under the acts of May 5, 1892, and November 3, 1893, that all Chinese laborers in the United States at the time of the passage of the acts be compelled to apply to the collectors of internal revenue of their respective districts for a certificate of residence.

THE ENACTMENT OF THE M'KINLEY ACT OF 1890

The tariff act of 1890 brought about many changes in the laws relating to internal revenue with respect to its procedure, although it did not affect the organization of the bureau. Some of the features of the tariff law affecting the Internal Revenue Service was a $10 a pound tax on all opium manufactured in the United States for smoking purposes; the requirement that all manufacturers of smoking opium were to conduct their business under the surveillance of the Commissioner of Internal Revenue.

A further feature was the allowance of a bounty on sugar obtained from beets, sorghum, or sugarcane grown in the United States, and providing that the bounty should be determined by the Bureau of Internal Revenue. In spite of protests from the Commissioner of Internal Revenue that the administration of the sugar bounty was not connected with the duties with which the Bureau of Internal Revenue ordinarily was charged, and his recommendation that it be transferred to the Secretary of Agriculture, the provision was retained and administered by the bureau until its repeal on August 26, 1894.

THE WILSON TARIFF ACT

The Wilson Tariff Act of 1894 revived the income tax, which had been repealed in 1861. Also it revived the tax on playing cards, and contained legislation affecting the bonded period of distilled spirits. The act of January 25, 1895, appropriated $245,000 to defray the expenses of collecting the income tax, and an income-tax division was organized in the Bureau of Internal Revenue. On April 8, 1895, the work of this division was interrupted by a decision of the Supreme Court of the United States to the effect that the provisions of the law taxing incomes derived from real estate and from State and municipal bonds were unconstitutional. Upon a rehearing by the Supreme Court, it was decided finally on May 20, 1895, that the whole in-

come tax law was unconstitutional, on the ground that it was a direct tax and not apportioned among the States in conformity with the Constitution.

SPANISH-AMERICAN WAR

The Spanish-American War again made it necessary for Congress to resort to extraordinary methods to provide money for the increased needs of the Government. The act of June 13, 1898, imposed taxes on legacies, mixed flour, and occupations; provided for a number of stamp taxes on documents and proprietary preparations; and increased the tax on fermented liquors and tobacco products. The total collections of the Internal Revenue Service for the year 1898 were slightly over $170,000,000. As a result of the act of June 13, 1898, the taxes during the next year increased to $273,484,573.44. The revenue continued to increase under this legislation and reached a total of $306,871,669.42 for the year 1901.

The act of March 2, 1901, reduced some of the taxes and abolished others. All of the taxes enacted as a result of the Spanish-American War, with the exception of the one on mixed flour, were repealed by the act of April 12, 1902.

CORPORATION TAX OF 1909

In the enactment of the tariff act of 1909 Congress placed a tax of 1 per cent on net incomes in excess of $5,000 of corporations. This provision of the law called for the organization of a corporation tax division to supervise the collection of the tax. This corporation tax law remained in effect until 1913.

INCOME TAX OF 1913

The sixteenth amendment to the Constitution went into effect on February 25, 1913. This amendment gave Congress the power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration. On October 3, 1913, Congress enacted the income tax law, which imposed a tax on the net income of both individuals and corporations. As the result of this legislation, a personal income tax division was organized. A large increase in the personnel both in Washington and in the field was necessitated. At the end of the fiscal year 1913 the administrative force in Washington consisted of 277 persons, while the field force numbered 3,723. By the end of the fiscal year 1915 the personnel had increased to 530 in Washington and 4,200 in the field.

THE WORLD WAR

While the United States did not enter the World War until April 6, 1917, the problems of the Internal Revenue Service incident to that war date back to September 4, 1914, for on that date the President of the United States addressed Congress on the necessity of providing additional revenue to meet the deficit which would be created by the falling off of imports from countries affected by the war. On October 22, 1914, an emergency revenue bill, the purpose of which was to provide $105,000,000 additional revenue from internal sources, became law.

The average internal-revenue collections for the 12 years preceding 1915 were $281,084,239.60 a year. The average collections a year for the 12 years 1915 to 1926, inclusive, were $2,777,113,074.45. Thus, by comparison, is shown the problem with which the Bureau of Internal Revenue was confronted, the

burdens brought upon the Government by the war necessitating an annual increase in collections of nearly two and one-half billion dollars. In other words, an organization which had collected slightly over a quarter of a billion dollars yearly suddenly was required to collect annually nearly ten times that amount.

For nearly half a century the main sources of internal revenue had been distilled spirits, fermented liquors, and tobacco. The act of October 22, 1914, provided for increased tax rates on beer, wines, champagnes, and all products of a similar nature. Special occupational taxes were provided, including an annual tax of $30 on stockbrokers, $50 on pawnbrokers, $20 on commercial brokers, and $20 on commission merchants. Proprietors of theaters were taxed from $25 to $100, according to the seating capacity of their houses Circuses, bowling and billiard rooms, and other similar industries were taxed. There were imposed also documentary stamp taxes and the 1-cent tax on all telephone calls and telegrams costing 15 cents or over. Passage tickets sold in the United States for abroad were taxed from $1 up to $5. The receipts under the revenue act of 1914 for the fiscal year 1915 amounted to $415,681,023.86.

WAR REVENUE ACT OF OCTOBER 3, 1917

The war revenue act of October 3, 1917, created a taxgathering task of greater magnitude than ever before had been undertaken by any nation. The amount of money the act was estimated to yield was $3,400,000,000. The amount actually collected was $3,694,619,638.72. Many new sources of revenue were provided and new methods were prescribed for assessment and collection. Complexities in language gave rise to serious questions as to whether the most important provisions of the law were administrable.

The sum to be collected in taxes was so great that concern was aroused as to the ability of the business community to respond to the requirements of the law. Anxiety over the tax burden was accentuated by apprehension of difficulties in financing the huge tax payments. Representative citizens presented orally and in writing urgent requests for extension of the time within which the tax must be paid. It was asserted that the financial organization of the country could not withstand the strain of withdrawal from circulation and payment to the Government of the gigantic sums that would be due in income and excess-profits taxes during the month of June, 1918. The bureau, therefore, was confronted with the responsibility not only of organizing administrative machinery for carrying out the provisions of the act but also of interpreting and administering the act so as to carry out effectually the intent and purposes of Congress with the least inconvenience to business and financial institutions.

Some of the provisions of the act, notably the levy of taxes upon certain articles and goods in the hands of dealers, became effective immediately upon enactment. The administrative procedure for receiving returns of these taxable articles and assessing and collecting the tax thereon presented a problem for solution overnight.

When the war revenue law of 1917 went into effect the principal administrative responsibilities of the bureau rested upon the commissioner and three deputy commissioners, who conducted the affairs of administrative divisions. It seemed desirable immediately to broaden the base of the administrative machinery so that there might be reared eventually a structure of organization capable of assimilating and executing the work devolving upon the bureau.

The existing forces of the bureau were realigned and the subject matter of the new act was classified and assigned to the best qualified officers and employees. Under the new organization the scope of the work assigned to the three deputy commissioners was lessened, although the volume was greatly increased by the new enactment.

To carry on effectively the classes of work which under this reorganization were extracted from the units theretofore under the direction of deputy commissioners new offices and divisions were created. The field forces operating under the immediate supervision of the 64 internal revenue collectors and the 31 internal revenue agents were placed, for purposes of organization and management, under the control and direction, respectively, of a supervisor of collectors and the chief revenue agent, who were made coordinate in rank with deputy commissioners. The administrative units of the bureau under the direction of deputy commissioners were subjected to reorganization in order that the necessary increase in personnel might be absorbed and most effectively trained.

The force of administrative and executive officers of the bureau was augmented. The intense patriotism aroused by the country's entrance into the war had created an earnest desire on the part of citizens to serve in the capacities for which they were best fitted, which enabled the bureau to avail itself at Government rates of compensation of the services of many persons who could not in normal times have been secured. The personnel of the bureau at Washington was increased from 585 to 2,243.

The expansion of the operations of the bureau made it advisable to employ special and extraordinary means to inform the millions of citizens who were called upon for the first time to acquaint themselves with the requirements of Federal taxation. A nation-wide campaign of education and publicity was organized. Especial effort was made to popularize the war taxes by emphasizing the needs of the country and appealing to national pride and patriotism. Newspapers, magazines, and trade papers responded to the bureau's request that the widest possible publicity be given to the text of the law and that taxpayers be urged to study its provisions with reference to their own cases, so that they might learn how, when, and where to pay their taxes. Through representative commercial organizations, business men everywhere were asked to submit to the bureau actual cases involving disputed points. The prompt, cordial, and effective cooperation accorded by all publicity, financial, and business agencies, and, in turn, by the taxpayers generally, was a source of constant inspiration in the work of the bureau.

The peculiarly confidential relationship that must be maintained with taxpayers and the technical and exacting nature of the work to be performed by officers and employees of the bureau required that caution and discrimination be exercised in selecting and appointing new employees, in order that none but persons possessing requisite educational equipment, responsible experience, and integrity should enter the service. Despite the sudden and tremendous expansion of the work of the bureau, it was not deemed wise or expedient to add to the working force more rapidly than the new appointees could be inducted intelligently into the service and assigned to profitable employment on definite tasks. The bureau resorted to temporary and part-time employment for the performance of a great volume of work, especially that which was of essentially temporary nature.

There follows a tabulation showing the personnel employed by the Internal Revenue Service for the years 1913 to 1922, inclusive. This, better than any-

thing else, indicates the many problems and vast volume of work with which the Internal Revenue Service was confronted.

Year	Bureau	Field	Total	Year	Bureau	Field	Total
1913	277	3,723	4,000	1918	2,245	7,352	9,597
1914	277	3,695	3,972	1919	3,090	10,965	14,055
1915	530	4,200	4,730	1920	5,912	12,528	18,440
1916	560	4,158	4,718	1921	6,996	13,145	20,141
1917	524	4,529	5,053	1922	7.275	14,113	21,388

The force of revenue agents under the supervision of revenue agents in charge became an important factor in the machinery for assessing the taxes. Field investigations and examinations of taxpayers' books were required and these employees were assigned to this work.

Because of the vast increase in the collections to be accounted for by collectors of internal revenue, it was necessary to revise the accounting system in collectors' offices. The accounting system employed in collectors' offices prior to March 1, 1919, was a very simple form of single-entry bookkeeping. While it served its purpose during the years of relatively small revenues, its weakness lay in the immense amount of detail involved and the volume of clerical work necessary to its administration. With the passage of the war revenue act of 1918, the absolute inadequacy of the previous accounting system was revealed. A new system of accounting procedure was installed in collectors' offices on March 1, 1919. It was a double-entry system, and while it was difficult of adaptation because of the millions of dollars which were pouring into the collectors' offices, yet it is probable that the change of procedure for accounting for collections was an important and extremely beneficial aid to the situation which was brought about by the World War.

It is not possible to draw a line in connection with internal-revenue matters as to the end of the World War. Its effect in so far as the Internal Revenue Service is concerned will continue to be felt until the financial obligations incurred as a result of the war have been met. Perhaps the best indication of the volume of work can be had by a study of the following statement, showing the collections for the fiscal years 1903 to 1926. This period is selected for the reason that it covers the 12 years subsequent to the beginning of the war in Europe and the 12 years prior thereto:

Fiscal year	Collections	Fiscal year	Collections
1903	$230, 740, 925. 22	1915	$415, 681, 023. 86
1904	232, 903, 781. 06	1916	512, 723, 287. 77
1905	234, 187, 976. 37	1917	809, 393, 640. 44
1906	249, 102, 738. 00	1918	3, 698, 955, 820. 93
1907	269, 664, 022. 85	1919	3, 850, 150, 078. 56
1908	251, 665, 950. 04	1920	5. 407, 580, 251. 81
1909	246, 212, 719. 22	1921	4, 595, 357, 061. 95
1910	289, 957, 220. 16	1922	3, 197, 451, 083. 00
1911	322, 526, 299. 73	1923	2, 621, 745, 227. 57
1912	321, 615, 894. 69	1924	2, 796, 179, 257. 06
1913	344, 424, 453. 85	1925	2, 584, 140, 268. 24
1914	380, 008, 893. 96	1926	2, 835, 999, 892. 19

COMMISSIONERS OF INTERNAL REVENUE

As indicated in the first part of this history, Hon. Tench Coxe was the first "Commissioner of the Revenue," having been appointed to that position on May 8, 1792. The title "Commissioner of Internal Revenue" was authorized

by the act of July 1, 1862, and under this authorization George S. Boutwell became the first Commissioner of Internal Revenue on July 17, 1862. There follows a list of the Commissioners of Internal Revenue since that time:

Name [1]	State	Service	
		From—	To—
George S. Boutwell	Massachusetts	July 17, 1862	Mar. 4, 1863
Joseph J. Lewis	Pennsylvania	Mar. 18, 1863	June 30, 1865
William Orton	New York	July 1, 1865	Oct. 31, 1865
Edward A. Rollins	New Hampshire	Nov. 1, 1865	Mar. 10, 1869
Columbus Delano	Ohio	Mar. 11, 1869	Jan. 2, 1871
Alfred Pleasonton	New York	Jan. 3, 1871	Aug. 8, 1871
John W. Douglass	Pennsylvania	Aug. 9, 1871	May 14, 1875
Daniel D. Pratt	Indiana	May 15, 1875	July 31, 1876
Green B. Raum	Illinois	Aug. 2, 1876	Apr. 30, 1883
Walter Evans	Kentucky	May 21, 1883	Mar. 19, 1885
Joseph S. Miller	West Virginia	Mar. 20, 1885	Mar. 20, 1889
John W. Mason	do	Mar. 21, 1889	Apr. 18, 1893
Joseph S. Miller	do	Apr. 19, 1893	Nov. 26, 1896
W. St. John Forman	Illinois	Nov. 27, 1896	Dec. 31, 1897
Nathan B. Scott	West Virginia	Jan. 1, 1898	Feb. 28, 1899
George W. Wilson	Ohio	Mar. 1, 1899	Nov. 27, 1900
John W. Yerkes	Kentucky	Dec. 20, 1900	Apr. 30, 1907
John G. Capers	South Carolina	June 5, 1907	Aug. 31, 1909
Royal E. Cabell	Virginia	Sept. 1, 1909	Apr. 27, 1913
William H. Osborn	North Carolina	Apr. 28, 1913	Sept. 25, 1917
Daniel C. Roper	South Carolina	Sept. 26, 1917	Mar. 31, 1920
William M. Williams	Alabama	Apr. 1, 1920	Apr. 11, 1921
David H. Blair	North Carolina	May 27, 1921	May 31, 1929
Robert H. Lucas	Kentucky	June 1, 1929	

[1] In addition, the following were acting commissioners for the time specified: John W. Douglass, of Pennsylvania, from Nov. 1, 1870, to Jan. 2, 1871; Henry C. Rogers, of Pennsylvania, from May 1 to 10, 1883; John J. Knox, of Minnesota, from May 11 to 20, 1883; Robert Williams, jr., of Ohio, from Nov. 28 to Dec. 19, 1900; and Millard F. West, of Kentucky, from Apr. 12 to May 26, 1921.

O

END OF
TITLE